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President Moon Hits Another Hurdle in Curbing South Korea's Housing Market

Moon's administration has enacted over 20 policies to try and curb soaring real estate prices — all without success.



By [Kyle Ferrier](#)

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Credit: [Sunyu Kim on Unsplash](#)

Rising property prices in Seoul have been a perennial concern in recent decades and one that South Korean President Moon Jae-in vowed to tackle upon taking office in May 2017. However, the recent jump in apartment prices, as well as pushback against the government's latest efforts to slow this trend, continues to prove that directing the Seoul real estate market is much easier said than done.

The spike in housing prices in the past few months has been spurred on by easy credit to combat the coronavirus, which is proving to be a double-edged sword. On the one hand, low interest rates and the government's infusion of cash into the economy is helping to lessen the brunt of the financial consequences of the pandemic and spur a quicker, stronger recovery. On the other, however, the confluence of these same two factors has led to increased real estate investment, and thus higher prices, in major South Korean cities, particularly Seoul.

To tackle the issue, Moon rolled out new plans this month that have been met with little public enthusiasm. On July 10, the government announced it will [nearly double the real estate](#)

[tax range](#) to between 1.2 and 6 percent for people who either own three or more homes or own two houses in specific areas rife with speculation. Home sales within a year of purchase will also be subject to a 70 percent tax and those within two years of purchase a 60 percent tax. Both measures would go into effect next year, pending parliamentary approval.

On July 15, a government task force announced they would be [exploring constructing new residences in Seoul's greenbelt zones](#) – currently protected for agricultural use, to preserve some natural areas and to slow urban sprawl. Yet, on Monday, less than a week later, the administration reversed its decision in response to negative feedback, asserting that it would seek other means to increase the stock of housing in Seoul.

Both the soaring home prices and the backlash against these initiatives have helped to eat into Moon's high approval rating, which had been buoyed by the government's handling of the coronavirus. After reaching a 71 percent approval rating in the first week of May, polls have since shown a steady decline in Moon's support. Surveys conducted last week by Gallup Korea and Real Meter indicate only [around half of South Koreans now approve of the job their president is doing](#).

To be sure, real estate can only partially explain this fall. The suicide of Seoul Mayor Park Won-soon – a prominent member of Moon's Democratic Party – after allegations of sexual harassment from his secretary, the conversion of contract workers at Incheon Airport to permanent hires, and how the Democratic Party responded to both developments as well as other controversies in recent months are all weighing on Moon.

But real estate has increasingly become a political lightning rod, especially as the spotlight has moved to housing speculation by senior government officials. Last December the [Blue House asked officials to sell any additional homes in the capital area](#) to help slow the growth of property values and demonstrate accountability. This seems to have backfired, however, as the public has not been impressed by the results. [Further attention to the multiple homes owned by senior officials has only fanned the flames of public discontent.](#)

The roots of the housing market dilemma run deep. Seoul is South Korea's cultural and economic hub, with the greater capital area home to about half of the country's 50 million people and half of the country's economic activity. As such, demand for housing has consistently outpaced supply, putting steady upward pressure on home values.

Successive administrations have pursued various, sometimes conflicting, policies to help cool Seoul real estate, but to [limited effect](#). The progressive Roh Moo-hyun administration undertook an ambitious decentralization initiative, moving the government to the new administrative capital of what is now Sejong City, as well as implementing a price ceiling on new apartments in Seoul. Former President Lee Myung-bak pushed for more investment from private developers and his successor, Park Geun-hye, enacted a series of tax incentives for home buyers.

Despite government efforts since the early 2000s, increasing property values in Seoul have proved too difficult to control. Since 2006, the average price of an apartment in Seoul has risen by [almost 160 percent](#), with more upscale districts such as Gangnam experiencing a much

steeper climb. The problem seems to have accelerated in the past three years under Moon. According to a [new report](#), from May 2017 to May 2020 the average price for an 82.6 square meter (889 square foot) apartment in Seoul rose at the quickest pace in almost 30 years.

Part of the impetus behind the growing public criticism now is that Moon has enacted over 20 property measures, but the issue has gotten worse. Moon's promises to build a more equitable society can only go so far when skyrocketing real estate widens the gap between the rich and everyone else.

However, the administration is not operating in a vacuum and is faced with challenges working in opposition to housing goals, such as the ongoing efforts to combat COVID-19. It's easy to forget that only a few months ago there was [widespread concern](#) about the pandemic causing a tumble in Seoul home prices, exposing a [precarious amount of household debt](#), which was staved off by how the government was able to contain the virus.

Still, it seems unlikely that Moon will be able to enjoy a relatively high approval rating if he continues to pass new regulations and taxes on speculation without any results. Breaking the decades-long upward spiral of Seoul property values will require more concerted effort to address the underlying structural issues, such as better transportation options for getting in and out of Seoul during peak hours and making other cities more alluring. This is certainly more difficult but will ultimately prove far more effective in keeping home prices affordable.

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